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Take Charge of Your Financial Destiny

FINANCIAL PLANNING. MORTGAGE MANAGEMENT. ASSET PROTECTION

In this issue:

Financial Strategies for 2012

Over the last few weeks, I have somewhat led you through the jungle of financial planning and wealth creation.

You now understand what a Personal Income and Expenses Statement is, what a Personal Net Worth Statement shows and the meaning behind all the Financial Ratios. You also understand what a Debt Servicing Ratio (DSR) is, the various investment vehicles available in the market and also, the ins and outs of overseas property investment.

I hope that my past articles have been helpful in your quest for financial freedom, and that your enhanced understanding of financial concepts and instruments will spur you on to greater heights in your journey of financial independence.

Moving forward, let us take a glimpse of what 2012 might have in store for all of us.

2012 – A Global Preview

On the global front, more uncertainty is to be expected.

- Europe

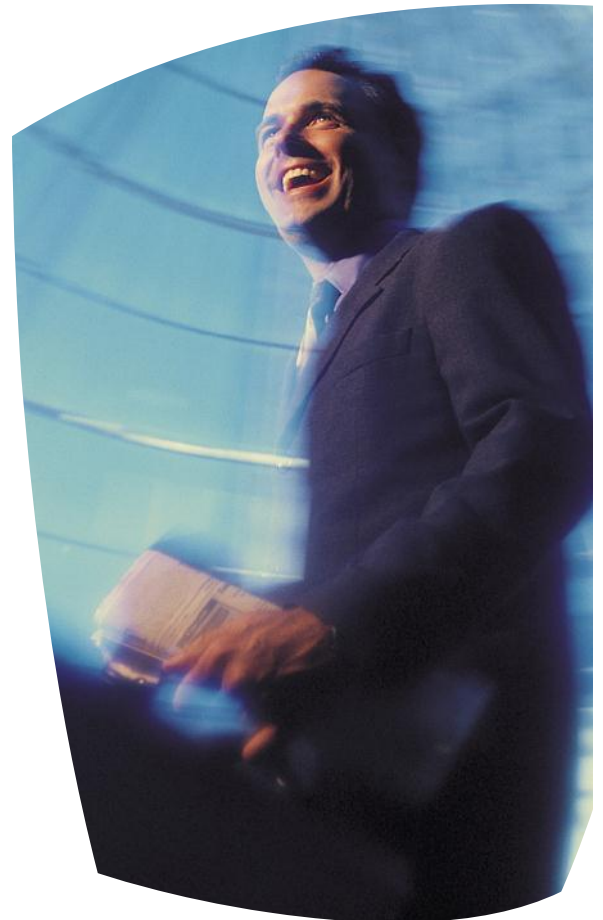
As the European Debt Crisis unfolds, more instability in the equity markets is expected. A Euro-zone triggered financial crisis is not impossible.

- The United States of America

The United States, on the other hand, is still trying to rein in on their runaway budget deficit, a situation which may limit their economic stimulus capability in the near future. As such, the world is keeping a close watch over American politics, as any development would have repercussions around the world.

- China

After witnessing double-digit growth for a record number of years, China is slowing down due to the tighter policies imposed by the central government, and the weaker global demand. The fear of a hard landing of China's previously phenomenal growth is more real than ever.



2012 – A Local Preview

- Higher Cost of Living

Locally, a higher cost of living is to be expected. With the Consumer Price Index (CPI) rising more than 5%, and savings interest rate holding constant at 0.1%, one can easily see how your savings and real income are being eroded by increasing costs.

- Weakened External Demand

As the Singapore economy is highly reliant on the performance of external markets, a weaker demand fuelled by a gloomier global economic climate will inevitably affect the state of its economy. The question is therefore not whether the economy will be affected, but by how much. But one thing for sure: since the fundamentals of the property market are very much dependent on the economy, a gloomy outlook usually does not bode well for property prices.

- Possibility of Retrenchments

A Euro-zone triggered financial crisis and a recession in the United States might mean that companies would cut down on their staffing requirements in view of the gloomier outlook. As you can see, all the possible developments listed above point to one thing – uncertainty. This uncertainty will affect not just the investment, but also the job markets as well.

Your Strategy For 2012

According to Sun Tzu, the great military strategist from the Spring and Autumn Period of China, *“Victorious warriors have already won before going to war, while warriors who are eventually defeated seek war before seeking to win.”* (胜兵先胜而后求战，败兵先战而后求胜。)

Understanding your financial situation thoroughly, managing your mortgage well and having sufficient savings are some of the things that every smart individual should aim to achieve, if he is serious about financial independence.



Know Where You Are Financially

As discussed in one of the previous articles, knowing where you are financially is the first step towards financial independence. Knowing that uncertainty is the name of the game in the new year, you will need to review your financial ratios to ensure that you can withstand any economic instability in order to move forward and make important investment decisions for the future.

For a quick assessment of your current financial status, do visit our website and download the free Financial Worksheets at www.singcapital.com.sg/ratios today.

Should you require further assistance, do seek the help of a professional Financial Adviser from an MAS-Licensed Financial Advisory Firm like SingCapital to lead you through a comprehensive financial planning process.

Manage Your Mortgage, Your Biggest Debt

Merely being in the know of the upcoming crisis in 2012 and reviewing your financial status constantly will not immediately guarantee you financial freedom and security. Home owners need to ensure proper management of their mortgage, which is possibly the biggest liability of their lifetime.

Plunging into your property purchase and investment without proper knowledge and research about the property and your financial options will only lead you further into a financial black hole, causing you headaches and heartaches in the future.

Mortgage management starts off with knowing where you stand financially. Next, you have to understand the various financing options and tools available in the market, decide which is the best loan suited for you and a mortgage amortisation period comfortable for you. Finally, you have to be aware of the various protection plans available to protect both the property and yourself for any future contingencies.

Whether you have one or multiple housing loans, it is important for you to lock in the low interest for the next 3 years so that you have one less worry, and this is especially important for investors who have multiple housing loans. You have leveraged on mortgage to acquire these assets but mortgage is a double-edged sword that can cut the wrong way if it is not managed properly.

To know more about mortgage and mortgage management, you can get a copy of 'Mortgage And Grow Rich'. This book will guide you through all you need to know about mortgage management and answer the frequently-asked questions of every property buyer and investor.

Set Aside Funds For Rainy Days

Living frivolously comes with a large price. Are you prepared for the following contingencies?

- What happens if you are unexpectedly retrenched?
- What happens if an unexpected accident or sickness makes it impossible for you to work anytime in the near future?

Saving up wisely and efficiently during your most income-productive years is what everyone should do today to prepare for tomorrow's unexpected contingencies.

If you have not tried saving before and do not know where to begin, here is a small way to start. Conventional wisdom has it that your liquidity ratio – or the number of months you can last should you be out of a job - should be set at about 3 to 6 months. However, in view of the uncertain times ahead, it would be prudent for you to set aside funds that can last you 6 to 12 months, should you really be out of a job.

If you are a business owner, it would be wise for you to review your cash flow positions to counter the gloomier outlook for the new year. Having a strong cash flow can enable you to acquire competitors who are less prepared for any possible crisis. If you need help in this area, SingCapital provides corporate financial planning to prepare you for both crises and opportunities.

Be more conscious of your monthly expenses and cut back on unnecessary spending. The money you save from this can then be channelled into your monthly savings, or be used to invest in income-producing investments such as equity, bonds, gold or property. You should also be covered by the right insurance to ensure that you are financially protected in difficult times.

The Way Forward

As we can all see, 2012 will be another year where volatility is the rule of the day. Yet, from an investment point of view, 'Uncertainty' would mean 'Opportunity'.

Volatility aside, you should always keep Warren Buffet's quote in mind, "Be fearful when others are greedy and be greedy when others are fearful". As long as you are a medium and long term investor, such situations are welcome opportunities that don't always come by. You should gather all your resources to invest to create more wealth.

Of course, all investments come with risks, and the increased volatility next year would require you to mitigate such risks more effectively. Risk and volatility both require time to ride out and as an investor, this should come as no surprise to you. One thing for sure, however, is that as long as you are not speculating, what comes down must go up; but you would need time on your side and viable strategies to work with. Thus, it is important not to throw in towel at this moment.

One viable strategy which you can adopt would be the Dollar Cost Averaging (DCA) method. Other strategies exist, and you can consult us for the one that is most suited to your needs and aspirations.

Conclusion

As part of our effort to educate the public, we have lined up our usual Investment Outlook Seminar to share our take on the market in the coming year. To know more about the investments you can venture into, head down to our investment seminar on the 9th of January 2012 (Monday) where you will learn more about equities, bonds, commodities and local and overseas properties as investments. Tickets to this seminar cost only \$25. Register now, as limited seats are available. ▪

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